

TOWARD A STRATEGIC PARTNERSHIP? THE EUROPEAN UNION AND LATIN AMERICA IN THE POST-SEPTEMBER 11th ERA^{*1}

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"If the EU can construct a true partnership with the Latin American countries, it will establish solid credentials for its role as a global civilian power. This has strategic importance for Latin America, too, for it also seeks a multilateral order built on principles of diplomacy, economic cooperation, and nonintervention."

Christian Freres, "The European Union as a Global 'Civilian Power': Development Cooperation in EU-Latin American Relations," Journal of Interamerican Studies and World Affairs, Summer 2000, Vol. 42, No. 2, pp. 78-79.

The purpose of this article is to examine the trilateral relationship between Latin America, Europe, and the United States. To what extent is the idea of European-U.S. rivalry over influence in Latin America relevant? Can the Latin American nations effectively benefit from divergent U.S. and European foreign policies? Are the Latin American economies condemned to be absorbed by a Free Trade Area of the Americas? Can Europe be a "counterweight" to U.S. influence in the region? Alternatively, can Latin America become a strategic partner of the European Union? How does the post September 11 change in U.S. foreign policy affect this unique trilateral relationship?

I seek to answer these questions in five sections. The first section provides a historical overview of U.S. policy toward Latin America. The next section analyzes the new era in U.S.-Latin American relations which began with the First Summit of the Americas in Miami in December 1994. Section three considers the history of European-Latin American relations and whether an EU-Mercosur free trade agreement can serve as an effective counterweight to U.S. hegemony in Latin America. Section four examines three scenarios for the trilateral relationship after September 11 and the Iraq war. The conclusion discusses the prospects for a strategic partnership between the European Union and Latin America.

HISTORICAL OVERVIEW OF U.S. POLICY TOWARD LATIN AMERICA

U.S. policy toward Latin America has consistently pursued two objectives: to exclude extracontinental rivals or hostile powers from the Western Hemisphere (the Monroe Doctrine) and to secure and maintain a dominant politico-economic presence in the region. The United States established its supremacy in the Western Hemisphere after the Spanish-American war of 1898 which resulted in Cuba's formal independence (and *de facto* status as a U.S. protectorate)

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and converted the Caribbean into an "American lake" effectively excluding European powers from the Western Hemisphere.¹

During the Cold War, U.S.-Latin American relations were characterized by the "hegemonic presumption"; the idea that the United States has a "natural right" to achieve and exercise hegemony in the Americas,² and "benign neglect" on the part of the United States, which paid attention to the region only in times of crisis, and only when it perceived its security interests to be threatened, such as during the October 1962 Cuban missile crisis. The rest of the time, the United States ignored the region.

After the establishment of Fidel Castro's revolutionary government in Cuba (January 1959) the Kennedy and Johnson administrations declared that they would not tolerate a "second Cuba" in Latin America. The U.S. military interventions in Santo Domingo (1965) and Grenada (1983) and the covert action and economic blockade against the Allende government in Chile (1970-73) were justified by the need to protect the region from the "communist threat." From the late 1960s to the mid-1980s, "some Latin American states attempted to break away from the U.S. sphere of influence by cultivating political and economic ties with other developed powers [especially in Western Europe], and even with other developing nations."³ This strategy, known as "diversification of dependency," was not very successful, and in the 1980s the United States took advantage of the Latin American debt crisis to reassert its hegemony in the region. During the Reagan administrations (1981-88) the Pentagon prepared contingency plans to take control of Mexico's oil fields in case of social and political instability after Mexico declared in August 1982 that it was no longer able to pay the interest on its external debt. The end of the Cold War in 1989-90 *strengthened* the U.S. position in Latin America, leaving Washington "in sole possession of the stage."⁴ During the Cold War, the United States could not do anything it wanted in Latin America, because the "rule of worldwide symmetries and action-counteraction was in play."⁵ After the Cold War, without the Soviet counterweight, the United States has a free hand to intervene in Latin America, only restrained by the diplomatic cost it may have to pay in international institutions, such as the United Nations.

An important obstacle for a mature partnership between the United States and Latin America is the patronizing attitude of some U.S. policymakers toward the region. Latin American peoples and elites are seen as essentially "dependent," "inept," and "childlike." For example, in 1959 a U.S. embassy official in La Paz complained that economic aid to Bolivia was a waste of money: "The only solution to Bolivia's problems is to abolish Bolivia."⁶ More recently, U.S. Trade Representative Robert Zoellick offended the Brazilian government declaring that if Brazil was not interested in the Free Trade Area of the Americas it could seek a free trade accord with Antarctica. This type of statement does not help to improve the image of the United States in Latin America and is a symptom of a persistent syndrome of treating the Latin American countries as "inferior" lending some credibility to the claim that the U.S. hegemonic presumption is alive and well, despite the search for a new hemispheric partnership in the Clinton era.

Robert Pastor has described U.S. policy toward Latin America as a contradictory cycle of neglect ("Washington does not want to dominate") and interventionism ("but it cannot remain passive either to instability or to radical trends").⁷ According to Pastor, the Latin American countries function "as a kind of whirlpool that periodically draws Washington into its center" until a crisis that was perceived as affecting U.S. "vital" security interests is over and the United States (again) neglects the region.⁸ In the second edition of his book, Pastor argues that with the end of the Cold War, "a permanent exit from the whirlpool is now possible. An entirely new relationship—a modern and respectful one—is now within reach."⁹ However, the Bush administration's troubled relationship with Latin America since the September 11 terrorist attacks and its policy of letting Argentina fend for itself in its economic collapse in 2001-2002 shows that the cyclical nature of U.S. policy toward the region continues, even if the definition of the external threat (communism,

during the Cold War; terrorism, after 9/11) has changed. After September 11, one could imagine a scenario in which the United States sends troops to the "triborder" region of South America (where Paraguay, Brazil and Argentina meet) or to Colombia, as part of the war on terror while the economic and social plight of the Colombian people, or the masses of unemployed in the Southern Cone, remain unattended. There is certainly a line of continuity from the absence of a Marshall Plan for Latin America in 1947 to the callous U.S. indifference to the Argentine crisis in 2001 and the lack of U.S. support for an IMF rescue package for Argentina when it was badly needed in 2002.

U.S.-LATIN AMERICAN CONVERGENCE: A FREE TRADE AREA OF THE AMERICAS IN 2005?

During the Cold War the Latin American countries were extremely suspicious of free trade, feeling that "free competition between large, technologically advanced companies from industrialized countries and young, weak industries in Latin America would simply permit the former to devour the latter."¹⁰ In that sense, the First Summit of the Americas in Miami in 1994 and the FTAA negotiations are a significant turning point in the history of U.S.-Latin American relations: an emerging consensus between Washington and Latin America, "on what constitutes an agenda of shared [economic] interests and on how to address it."¹¹ This agenda became attractive for the Latin American countries for a number of reasons. First, the United States was promising, at least rhetorically, to leave behind the era of benign neglect and take Latin America seriously. Second, a confident USA, focusing on globalization and economic issues rather than on the old Cold War security agenda, was preferable "to living with a paranoid and defensive hegemon."¹² Third, after the "lost decade" of the 1980s the Latin American countries were forced by the United States and the International Monetary Fund (IMF) to accept neoliberal economic adjustment policies that were presented as the only game in town. Despite its relative decline as a global economic power, in the 1980s the United States successfully promoted the "free market" doctrine in the Western Hemisphere. Fourth, the Latin American countries were afraid of being relegated to the margins of world financial and trade flows, while the U.S. government and U.S. private investors diverted private credit lines and investment flows to the new capitalist economies of Eastern Europe and the former Soviet Union.

The regionalist turn of U.S. foreign economic policy in the 1990s was a response to the possible emergence of protective trading blocs in Europe and East Asia and the uncertainties created by the delayed Uruguay Round of global trade negotiations. At the Miami summit in 1994, the heads of state of the 34 democratic countries of the Western Hemisphere committed themselves to pursue negotiations to create a Free Trade Area of the Americas by 2005. After the summit, Latin America became an important laboratory for President Clinton's pro-globalization policies.

The FTAA process is part of a broader agenda of cooperation between the United States and Latin America in a number of areas, from the promotion of democracy and human rights to the fight against corruption and drug trafficking. The FTAA negotiations were launched at the Second Summit of the Americas in Santiago, Chile (April 1998). At the Third Summit of the Americas held in Quebec City in April 2001 the heads of state of the 34 participating countries reaffirmed their commitment to the FTAA.

There are three big impediments for a successful completion of the FTAA in 2005. First, the FTAA needs to accommodate the demands and aspirations of 34 countries with enormous differences in size and degree of economic development. "The US economy, for example, is 10 times larger than that of Brazil, the second biggest economy in the hemisphere, and almost 100 times larger than the *combined* total of all of the countries of Central America and the Caribbean."¹³ In the absence of compensatory mechanisms, the strict application of an FTAA

based on neoliberal principles would severely damage the smaller economies of the Western Hemisphere, especially those of Central America and the Caribbean.¹⁴

The second obstacle for a successful conclusion of the FTAA is the lack of domestic support for such an agreement in most participating countries. The FTAA process includes a "Committee of Government Representatives before Civil Society" and the FTAA has an official web site. However, with the exception of some business organizations connected to the circuits of international capital, non-governmental organizations (NGOs) from civil society have not been heard in the nine FTAA negotiating groups, and public opinion opposition to the FTAA has been ignored. Even if the United States and Brazil can settle their differences, the FTAA will still have to solve its democratic deficit. Otherwise, an FTAA lacking legitimacy among the peoples of the Western Hemisphere will be perceived as a brainchild of big business and an instrument of U.S. domination.

A third problem is that Mercosur and NAFTA are two quite different models of regional integration. It may be very difficult to make them compatible in a single FTAA, unless Mercosur makes significant concessions on the "deep integration" agenda proposed by the United States. Yet an FTAA would be meaningless without Brazil and Argentina, who comprise 36 percent of the economy of Latin America and the Caribbean.

For Latin America, the FTAA brings the promise of unfettered access to the attractive U.S. market, and the prospect of drawing increasing investments from U.S. corporations. However, Latin American tariff barriers average four times U.S. tariff barriers to Latin American products. An FTAA will give the United States a much greater preferential market access to Latin America than the other way round. For Latin America, especially for the Mercosur countries, an FTAA only makes sense if the United States agrees to eliminate its non-tariff barriers, such as agricultural subsidies. However, in May 2002 the U.S. Congress passed a new farm bill that establishes \$15-20 billion per year in subsidies to U.S. farmers. Moreover, the United States is not ready to renounce to the imposition of antidumping duties, which have hit Brazil particularly hard. Drastically reducing agricultural subsidies and antidumping duties is politically very difficult for the Bush administration, especially during President Bush's campaign for reelection in 2004.

A NAFTA-style FTAA would allow the United States to consolidate control of the Mexican market while expanding exports and investments to the rest of the Western Hemisphere. After U.S. President Bush obtained Trade Promotion Authority from the U.S. Congress in 2002, the United States has aggressively pursued bilateral free trade agreements (FTAs) with several countries, hoping to catch up with the European Union in that area. In June 2003, the United States signed an FTA with Chile that might be a template to obtain concessions from Mercosur in the FTAA negotiations.

Mercosur has strong incentives to keep all its options open regarding external trade negotiations. The grouping has closer trade relations with the European Union than with the United States.¹⁵ Brazil has strong incentives to complete the FTAA in order to break down U.S. trade barriers to Brazilian exports of manufactures (footwear, textiles, and clothing) and eliminate the discrimination that Brazilian exporters face in the U.S. market due to NAFTA. Yet U.S. negotiators are under enormous domestic pressures not to make concessions in these areas. Unfortunately, "the sectors where Brazil is most competitive are the ones that are most protected in the United States."¹⁶ The Brazilian strategy has been to slow down the FTAA negotiations as much as possible, to gain time to be able to compete with U.S. companies. On the one hand, Brazil would dramatically increase its exports of footwear to the United States if the FTAA eliminates a 10.2 percent tariff on US imports of Brazilian shoes. On the other hand, however, some Brazilian industries (such as financial services, electronics firms, and makers of capital goods) would not survive if the FTAA comes into existence. All these difficulties make the

"European connection" attractive for Brazil and Mercosur, considering that they could significantly increase their exports to the European Union if an EU-Mercosur trade pact comes into existence (EU imports from Mercosur have grown much less rapidly than EU exports to Mercosur).

The EU would clearly prefer an FTAA "light," resulting from a balanced deal between a South American bloc (SAFTA), led by Brazil, instead of the NAFTA-style FTAA sought by the United States. An EU-Mercosur free trade agreement prior to the conclusion of the FTAA negotiations could mark the "death knell" for the FTAA. The FTAA talks have a deadline (2005) but the EU-Mercosur free trade negotiations do not have a completion date. Unfortunately, they have gone slowly, due to the resistance of the EU to make concessions on agricultural subsidies.

Controversial issues, such as antidumping duties, and agricultural subsidies may only be settled, if at all, in the global round of trade negotiations. The EU needs Latin American support to balance the United States in the Doha Round, even though the Latin American countries and the United States may be sometimes on the same side of the negotiating table on the agricultural subsidies issue.¹⁷ On the other hand, in exchange for some concessions on agriculture in the bi-regional talks, the European Union may side with Mercosur on the issues that matter for Latin America in Doha Round: U.S. agricultural subsidies, but also the incidence of U.S. antidumping actions against Latin American exports, other U.S. non-tariff barriers that prevent Latin American products from entering the U.S. market, and a formal commitment on the part of the United States, not to impose retaliatory tariffs under "Super 301." None of these issues was settled at the 5th World Trade Organization (WTO) Ministerial, which took place in Cancun, Mexico, September 10-14, 2003

Two months after the Cancun debacle, at the eighth FTAA ministerial meeting in Miami, 34 trade representatives failed to agree on a common agenda for the final round of the FTAA talks partly because the United States and Brazil were unable to fill the gap between their negotiating positions. The compromise solution was an agreement to negotiate a "multiple-speed" FTAA with room for bilateral and plurilateral agreements between country members, abandoning the ambitious project of achieving a wide-ranging FTAA by January 2005. The United States adamantly refused to negotiate the touchy issues of U.S. agricultural subsidies and anti-dumping duties in the FTAA, claiming they must be negotiated in the (stalled) Doha Round of global trade talks. On the other hand, Brazil refused to include "deep integration" issues, such as rules on foreign investment, and trade in services, in an FTAA treaty.

Despite domestic opposition to the FTAA on the part of the AFL-CIO and some domestic industries, the Bush administration still has good reasons to accommodate Brazil, "the only reason US multinationals wanted the FTAA in the first place."¹⁸ On the other hand, the Mercosur partners still have defensive reasons for accepting a compromise solution during the final stage of the FTAA talks, to avoid exclusion from a continent-wide web of free trade areas with the United States at the center. The EU may be Mercosur's leading trading partner, but about half of the Mercosur trade is with partners in the Western Hemisphere. The U.S. response to Brazil's "tough" negotiating position has been to revive the "hub-and-spokes" model for NAFTA extension, starting negotiations for bilateral free trade agreements with individual countries, such as Colombia, Peru, or the Dominican Republic, to put pressure on Mercosur to make concessions. This strategy may backfire if the new administrations in Buenos Aires and Brasilia manage to revive Mercosur, turning the bloc into a full-fledged common market by 2006, and the FTAA negotiations collapse, or drag on beyond the 2005 deadline. In this scenario, Brazil and Argentina would prefer to strengthen Mercosur while signing free trade agreements with the European Union and other trading blocs, rather than joining a NAFTA-style FTAA.

EU-LATIN AMERICAN RELATIONS: CAN EUROPE BE A COUNTERWEIGHT TO U.S. HEGEMONY?

After September 11, 2001, U.S. unilateralist tendencies, as shown in the diplomatic process leading to the Iraq war in 2003, have forced both the European Union and some Latin American countries, such as Argentina, Brazil, and Venezuela, to reconsider the centrality of the United States in their foreign policy priorities, increasing the diplomatic space for a bi-regional association between the European Union and Mercosur.

Can the European Union and Latin America become strategic partners, despite the U.S. tendency to exercise hegemony in its traditional sphere of influence? To answer this question, one must look at the history of European-Latin American relations.

Latin America shares with Europe the main elements of the Western culture. However, during the Cold War, the member states of the European Community (EC) did not give a high priority to Latin America in their foreign policies. Western Europe was a firm ally of the United States in the NATO alliance against communism and did not attempt to extend its strategic reach to Latin America, recognizing U.S. military and economic influence in the region.

In the late 1950s the Western European countries, recovered from the war, reestablished some trade links with Latin America. However, EC foreign economic aid was mainly directed to the former French, Belgian, and British colonies in Africa, the Caribbean, and the Pacific. Exports from those former colonies were granted preferential treatment through the Lome conventions; placing exports from the rest of Latin America at a competitive disadvantage.

Latin America's "European connection" began in the 1960s when the Latin American middle powers (Brazil, Mexico, Argentina, Venezuela) began to develop more assertive, independent foreign policies. The U.S.-sponsored Alliance for Progress practically ended in the late 1960s and the European Community surpassed the United States as a donor of economic aid (ODA) to Latin America.¹⁹ In that context, the "European option," was "at least as good as [was] the American, given the short-term difficulties being experienced domestically and globally by the United States."²⁰ However, Cold War realities placed significant constraints on the ability of the European Community to fully "return" to the Western Hemisphere. Security issues dominated Latin American relations with Northern countries.

Economic links between Europe and Latin America remained relatively stagnant from before World War II through the 1970s, and were even less important in the 1980s. By 1995, Europe bought 23 percent of Latin America's exports, and provided about the same percentage of its imports, but Latin America accounted for less than 2 percent of Europe's exports and only 2 percent of its imports.²¹ Western European economic interest in Latin America concentrated in the Southern Cone, especially Germany's investment and trade links with Brazil and Argentina.

The turning point in European-Latin American relations was the Central American crisis in the mid-1980s, when the European Community (EC) played an active role in the resolution of the civil wars in the region. The San Jose Process actively involved the EC in a mediating role in Central America. Without endangering its alliance with the United States, the EC established a diplomatic presence in a region in which it had been noticeably absent.

The rapprochement between the European Community and Latin America began in the mid-1980s as an informal political dialogue with the Rio Group, based on a common interest in resolving the Central American crisis. With the end of the Cold War in 1989-90, the European Union became systematically engaged with Latin America. The purpose of the "new partnership" with Latin America approved by the European Council in October 1994 and embodied in the December 1995 EU-Mercosur framework cooperation agreement is "to pave the way for an Interregional Association in the medium term." This process culminated in the EU-Mercosur

summit in Rio de Janeiro, Brazil, on June 21, 1999, which energized the political dialogue between the two customs unions, and launched the formal negotiations for a biregional free trade agreement. The summit was part of a broader summit of European Union and Latin American heads of state.

According to the Declaration of Rio, the purpose of the June 1999 Rio Summit was "to strengthen the links of political, economic, and cultural understanding between the two regions in order to develop a strategic partnership." EU-Latin American relations are to some extent defined by EU-Mercosur relations, due to the importance of the Southern Cone for the Western European private sector and the similarities and cultural affinities between Mercosur and the EU.

The conventional wisdom in the literature is that historically Latin America has only sought a complementary, pragmatic relationship with Europe, which could serve as a "counterweight," rather than as an alternative, to the "special relationship" with the United States. "Latin America still views Europe as an option available to increase its bargaining power versus the United States, rather than an alternative to U.S. influence."²² However, in the post-September 11 world, Latin America and the European Union share a common interest in the promotion of a multilateral order based on international organizations and international law. This is in sharp contrast with the Bush administration's unilateralism and tendency to resort to force to settle international disputes such as the controversy over the existence of weapons of mass destruction in Iraq.

Whether a commonality of values is enough to move EU-Latin American relations from cooperation to alliance is an open question, considering that the Latin American countries still have incentives to maintain a "special relationship" with the United States, especially if the EU maintains its policy of agricultural subsidies. Moreover, "it will be increasingly hard for the EU and its member states to say they are seriously working for a biregional partnership when they are cutting aid funds for Latin America."²³ There is a potential for a close economic partnership between the EU and Latin America, which in the era of globalization would have important geo-strategic implications.²⁴ However, the European Union's inability to deliver on the issues that matter for Latin America, such as market access for Latin American agricultural products, may make the U.S. option (the FTAA) more attractive for Latin America.

The "European Approach" versus the "U.S. Approach" to Latin America

In order to become a global civilian power sharing world responsibility with the United States, the EU needs to project the values that form part of its self-image; what Andrew Crawley calls the "European approach": "resistance to unilateralism on the international scene, a preference for arbitration and consensus building over punitive action, and the encouragement of integration among countries."²⁵ This is very important after the Iraq war. Frustrated by U.S. unilateralism, the European Union may be willing to make concessions to Mercosur to be able to complete an EU-Mercosur free trade agreement *before* the deadline for closing the FTAA negotiations in 2005. To go beyond the rhetoric of a "strategic partnership" with Latin America the EU needs to show that Europe can really make a difference in the region, offering innovative answers to the problems of poverty and exclusion created by the unfettered implementation of the "Washington Consensus" in the 1990s.

The "European approach" may be more difficult to implement in the post-September 11 era. In the 1980s, the EU engineered the San Jose Process to bring the Central American ruling governments and revolutionary groups to the negotiating table after September 11, it would be more difficult for the EU to make a similar case for a political dialogue between the FARC and the Colombian government without U.S. opposition; although such a feat could certainly be achieved

if the EU and Mercosur truly move from cooperation to alliance, placing strong diplomatic barriers on the ability of the U.S. government to implement its new strategic doctrine in Latin America.

The big difference between the "U.S. approach" and the "European approach" to the region is that the former has an important military component, whereas despite its shortcomings, the "EU approach" is development-oriented. The importance of the U.S. military presence in Latin America is highlighted by the existence of a "Southern Command," and troop deployments on an advisory and training role in the Andean countries to fight drug trafficking. This presence became more visible after the approval by the U.S. Congress of "Plan Colombia," in 2000. The United States has never directly used military force to preserve hegemony in South America, although the CIA played a prominent role in the removal from power of the Allende government in Chile (1973). After September 11, 2001, the U.S. military presence in the region may become more pronounced, as part of the "war on terror."

The "U.S. approach" also has an economic component, which can be summarized in the "trade not aid" formula that inspired President Bush's "Enterprise for the Americas Initiative" (EAI) in 1990. Despite the initial rhetoric surrounding the EAI, it soon became clear that Western hemisphere economic regionalism would not include large-scale flows of U.S. economic aid to Latin America, nor significant debt reduction. Still, after the "lost decade" of the 1980s (caused by the debt crisis) there was a sweeping change in development ideologies across the region and most newly elected democratic leaders embraced the free market ideology and the other elements of the "Washington Consensus", including free trade. Mexican President Salinas returned from a visit to Western Europe in the spring of 1990 convinced that with the end of the Cold War, the European Community would give priority to economic relations with Eastern Europe, and proposed to negotiate a free trade agreement with the United States that would result in the NAFTA treaty in 1994.

Both the United States and the European Union have a common interest in regional stability and democratic consolidation in Latin America, but for different reasons. The European Union wants to project its values as a "civilian power" and has a noncoercive approach to the region. The United States, despite the revival of the "Western Hemisphere Idea" after the 1994 Miami summit, is not actively interested in the region. After the September 11 terrorist attacks, the United States has become more security-fixated than after the Quebec summit, when President Bush proclaimed achieving an FTAA in 2005 as an absolute U.S. priority. Whether the European Union will have the political courage to take advantage of the difference between the "US approach" and the "EU approach" is an open question.

The "great irony" of the new international situation created by the end of the Cold War is that "although the United States and Latin America now share common views on a number of key issues [such as democracy promotion and the free trade/free markets ideology] actual relations have become more distant,"²⁶ opening up the possibility for a more active role of the European Union in the region. The suspension of U.S. military aid to fourteen Latin American countries and the fact that most countries in the region have refused to send troops to Iraq confirms a certain "distancing" between the United States and Latin America. The Bush administration's return to "benign neglect" toward the region after the September 11 terrorist attacks has drawn Europe and Latin America closer. Both regions have strongly rejected U.S. unilateralism, calling for respect for international law in a number of areas, from nuclear non-proliferation to the protection of the environment. Both Latin America and Europe strongly support the Kyoto Treaty on environmental protection, whereas the Bush administration refused to ratify it. On the other hand, by the turn of the century the "Washington Consensus" (that was behind the FTAA concept) had become discredited in Latin America. As the Clinton administration failed to obtain "fast-track authority" from the U.S. Congress, the Latin American countries, especially Brazil, took some distance from the FTAA talks, and expanded their trade relations in several directions,

including Europe. Latin America, (especially Mercosur) has now greater bargaining power than when the United States dominated Latin America's external trade flows unchallenged.

TRILATERAL SCENARIOS AFTER SEPTEMBER 11 AND THE IRAQ WAR

Several analysts believe that Latin America will not succeed in breaking its dependence on U.S. trade and investment flows by diversifying its external links with extra-hemispheric powers, such as the EU, and that the United States will remain the hegemonic power in the region. The reason would be "asymmetrical significance."²⁷ Latin America is less important to the European Union (which carries on barely 2 percent of its total trade with the region) than the European Union to Latin America. This pessimistic conclusion ignores the changes in the trilateral relationship (U.S.-Latin America-Western Europe) that have occurred since the end of the Cold War and the fierce competition between the United States and the European Union for gaining privileged access to the Southern Cone markets (Argentina, Brazil, Paraguay, and Uruguay).

After the terrorist attacks of September 11, 2001 and the Iraq war (March-April 2003) there are at least three scenarios for the trilateral relationship.

1. A "New Atlantic Triangle"²⁸

The first scenario is a balanced U.S.-EU-Latin America trilateral relationship, in which Western Europe and Latin America would assume more responsibility to achieve common economic, political, and security goals, and would play a larger role than in the past in the overall management of triangle affairs.²⁹

This "broadened concept of an Atlantic Community of the West," is based on a "sense of Western consciousness" and the existence of multiple historic, religious, political, economic, military, and cultural ties linking the three poles of the triangle.³⁰ The Atlantic Triangle idea starts from two assumptions. First, the North Atlantic and Western hemispheric axes of U.S. strategic interests "are complementary rather than competitive." Second, it is in the best U.S. interest "to bring Latin America fully within the modern West."³¹

This scenario is problematic for a number of reasons.

First, the "New Atlantic Triangle" was conceived in 1981, at a time in which the three poles of the triangle had a common interest in responding to the Soviet threat. Such a common interest has disappeared.

Second, to establish a truly balanced relationship between the three poles of the Atlantic Triangle the United States would have to renounce to its hegemonic role in the North Atlantic and Western Hemisphere axes of the triangle, allowing Western Europe and Latin America to play a larger role in the management of triangle affairs. Moreover, a *stable* New Atlantic Triangle would require "new burden-sharing or power-sharing arrangements."³²

Third, as conceived by Reidy, the Atlantic Triangle was supposed to fully integrate Latin America within the modern Western system, meeting Latin America's pressing needs for economic and social development.³³ However, the United States and Western Europe failed to achieve that goal. After World War II there was no "Marshall Plan" for Latin America. During the Cold War, the United States and Western Europe showed a reduced capacity and willingness to aid the development process in Latin America. The "Alliance for Progress" failed to eradicate poverty and underdevelopment from the subcontinent, and by the time the Johnson administration left office (1968) it had become irrelevant. A fair FTAA (and a fair NAFTA) would allow Latin America to "take off" economically while reducing somewhat the negative impact of the neoliberal economic policies of the 1990s. Yet is the United States up to the task? On the other hand, is

the European Union prepared to really contribute to Latin America's economic and social development? As Freres notes, "many think European aid is really secondary (or simply instrumental) to other interests, such as trade and investment promotion."³⁴

Fourth, after the September 11 terrorist attacks, the Bush administration's policy of benign neglect toward Latin America has weakened the U.S.-Latin America axis of the Atlantic Triangle, provoking deep anti-U.S. and anti-FTAA feelings in Latin America.

Fifth, there are structural constraints to make progress along the lines envisaged in the original formulation of the Atlantic Triangle. The EU's regulatory structure (especially the Common Agricultural Policy) and the vagaries of the U.S. economy place limits on the ability of the two Northern poles of the Atlantic triangle to make a meaningful contribution to Latin American modernization and equitable economic development. Moreover, the two Northern poles of the Atlantic Triangle never made a serious effort to cooperate in order to speed up Latin America's development. In the 1990s, as "globalization" replaced the ideal of developmentalism, the United States continued working toward securing free access to the Latin American market for *its* investors and companies, first through the Enterprise for the Americas Initiative (EAI) (1990) and then the FTAA process (1994-2003). The application of the neoliberal model in Latin America in the 1990s (the "Washington Consensus", tacitly accepted by the European Union) has not delivered the promised insertion of the "emerging markets" of the Southern Cone in the global economy. A new generation of Latin American leaders are seeking a "Latin American Consensus" that will no longer follow the dictates from Washington. Argentina's default in its foreign debt (which severely affected several European banks) is a turning point in Latin America's search for an *autonomous* insertion in the global economy.

Sixth, during the Cold War, the U.S.-EU axis of the Atlantic triangle was an "uneasy partnership."³⁵ Both sides had an interest in the preservation of regional stability in Latin America, but they disagreed on how such stability should be achieved. For example, the European Union favored a diplomatic solution to the conflicts in Central America, and recognized the government of Nicaragua as a legitimate negotiating partner, whereas the Reagan administration favored a military solution, supporting the Contra insurgency against the Sandinista government. Despite disagreements over arms transfers to Latin America and the nonproliferation issue, the United States and Western Europe had a common interest in avoiding adherence of additional Latin American states (besides Cuba) to the socialist camp, and in avoiding "regional or internal instability through interstate or intrastate violence"³⁶ With the end of the Cold war, the socialist camp has disappeared. Economic regionalism and globalization are the new names of the game for the European Union and the United States in Latin America. During the Cold War, they shared an interest in preserving the rules of the free enterprise system and market economies in Latin America. At the time, the Latin American states owned a significant portion of the domestic economies; state intervention in the economy to preserve the Latin American welfare states was quite legitimate and the regional discourse on economic development was heavily influenced by the Southern call for a "New International Economic Order" at the UN General Assembly, in 1974.

After the Cold War, the new Latin American democracies embraced the "Washington Consensus," privatizing state-owned enterprises while adopting neoliberal economic policies that significantly weakened the role of the state in national economies. Paradoxically, the greatest source of agreement within the U.S.-Western Europe "uneasy partnership" in Latin America (the need to preserve market-oriented economies in the region) has become the greatest source of conflict between the two Northern partners, as shown by the European Union's rush to make progress in free trade talks with Mercosur once U.S. President Bush obtained trade-promotion authority from the U.S. Congress, increasing the likelihood of a Free Trade Area of the Americas by 2005.

Mercantilist competition between the United States and the European Union to conquer Latin American markets (U.S. firms have a \$50 billion bet on the future of the Mercosur economies) makes a New Atlantic Triangle very unlikely in the post-Cold war era. Rather than sharing the Latin American markets with the European Union, the United States is primarily interested in locking in its "new imperial order" in Latin America through a NAFTA-style Free Trade Area of the Americas.³⁷ This is the real meaning of former U.S. Trade Representative Charlene Barshefsky's prediction that by 2010 U.S. exports to Latin America will exceed U.S. sales to the European Union and Japan combined. U.S. trade with Latin America is still less than 20 percent of U.S. global trade; and most of it is with Mexico. However, increasing U.S. exports to Central American, Caribbean, and South American markets is critically important for the United States if the Doha Round of global trade negotiations ends in failure and the world political economy moves away from "multilateralism" toward a system based on competing macro regions: a U.S.-led trading bloc in the Western Hemisphere; an East-Asian trading bloc led by Japan or China; and an enlarged European Union embracing Eastern Europe, and perhaps, Russia. In this scenario, a NAFTA-style FTAA would allow the United States to consolidate its hegemony in the Western Hemisphere, while using Latin America to compete more effectively against the other two macro-regional trading blocs.

A "New Atlantic Triangle" could come into existence if the Doha Round of global trade negotiations comes to a successful conclusion, because a resolution of the agricultural subsidies issue would break the stalemate in both the EU-Mercosur and the FTAA market access negotiations. However, global trade talks collapsed at the Cancun Trade ministerial conference in September 2003 partly because of the refusal of rich nations to reduce the \$300 billion in annual subsidies they provide to their farmers. As a result, a new block of developing countries emerged (the G-22) led by Brazil, China, and India, denouncing the EU/U.S. proposal to reduce agricultural subsidies as far too timid. After the Cancun debacle, most analysts believe that the Doha Round will not be completed on schedule. After Cancun, the European Union and the United States have pursued separate trade talks with Latin America in earnest, exacerbating neomercantilist competition between the two developed poles of the Atlantic Triangle. In a more benign scenario, the deadline to complete the Doha talks would be postponed until 2007. Still momentum would probably shift to interregional and bilateral trade talks, thus weakening a prospective "New Atlantic Triangle."

2. A US-EU Condominium to "Manage" Latin American Problems

In this scenario, instead of actively working to reduce the asymmetries in economic development between the two Northern poles of the Atlantic triangle and Latin America, the United States and Western Europe would strengthen a "North-North" axis of economic, political, and military cooperation in order to "manage" Latin American problems, narrowly defined as "security" problems. Can the post-September 11 war on terror be the basis of such a condominium? A possible rationale for a U.S.-European Union condominium would be the existence of a terrorist threat in the lawless "triborder" region of South America, where Paraguay, Brazil, and Argentina meet. However, there are serious obstacles for this scenario. For one, the European Union would have to abandon its self-proclaimed image as a global civilian power, in contraposition to U.S. interventionist tendencies. The EU can only become a global actor if it can build a new multilateralism based on biregional relations such as the projected interregional association agreement with Mercosur. The EU cannot emphasize the "European difference" if it is perceived as the junior partner of the United States to promote common Northern interests in Latin America.

Second, the increased projection of European interests into Latin America (the EU has partly shed past fears of entering into the U.S. "backyard") has become gradually more antagonistic to U.S. interests in the region. Mercosur's parallel negotiations for a free trade area with the EU and an

FTAA with the United States have poised the two Northern poles of the Atlantic Triangle in a competitive struggle to conquer the Southern Cone market. Moreover, the deteriorating political relationship between the United States and the EU does not bode well for a U.S.-EU condominium in Latin America. Such a condominium would be more likely if the two Northern poles of the Atlantic Triangle can settle their diplomatic, political, and trade disputes. However, a transatlantic free trade area (TAFTA) is a distant prospect, despite the fact that U.S.-EU trade relations have grown significantly in the last decade.

Third, in the era of globalization, security and economic issues cannot be separated. As Brazil adopts an independent foreign policy under Lula, and Mercosur consolidates itself as a customs union, a U.S.-EU condominium would have to accept the fact that the Latin American countries cannot be easily cajoled--as during the Cold War--to follow orders from Washington (or Brussels). Would the EU (or the United States) threaten to freeze free trade talks with Mercosur, or to withdraw foreign direct investments from the subregion, if Mercosur does not follow Washington's or Brussels's dictates on post-9/11 security issues? The South American middle powers are not yet in a position to say "good-bye" to the United States, but as Munoz notes, "not even the Helms-Burton extraterritoriality measures have discouraged many important private enterprises in Latin America from doing business with Cuba, a situation that would have been unthinkable in the not too distant past."³⁸ The independent stance of the "Group of Friendly Countries" that was created by Brazil to deal with the Venezuelan crisis in 2002 (as opposed to the openly anti-Chavez stance of the Bush administration) is the most recent example of this new assertiveness. On the other hand, there is a greater convergence of interests between the EU and Mercosur than between the United States and Mercosur on multilateral issues such as environmental protection, the International Criminal Court, and development issues. Both the EU and Mercosur strongly oppose the Bush administration's unilateral approach to the "war on terror."

A U.S.-EU condominium to "manage" Latin American problems, such as Northern relations with Cuba or the crises in Colombia and Venezuela could result in a Latin American retrenchment, seeking "South-South" trade and security linkages with other Southern regions, such as South Asia, East Asia, Southeast Asia, South Africa, or the Middle East.

3. European Union-Mercosur Strategic Alliance

In this scenario, a successful conclusion of an EU-Mercosur free trade agreement leads to a strategic partnership between the two trading blocs, or between the EU and a South American Free Trade Area (SAFTA).

During the Cold War, a strategic alliance between Europe and Latin America was unthinkable. Western Europe would never endanger its alliance with the United States by challenging U.S. hegemony in the Western Hemisphere. The European Community (EC) could challenge, to a certain extent, U.S. policy toward Central America, but not to the point of confronting the United States over the Central American conflict, although the EC became the major provider of economic aid to rebuild the ravaged Central American economies after the peace agreements were signed. The Latin American countries, in turn, would view the "European connection" as a way of increasing their bargaining power versus the "colossus of the North," not as a way of emancipating themselves from U.S. influence. During the Cold War, the European countries tended to view Latin America, "correctly, as the backyard of its great Atlantic ally."³⁹

After the Cold War, renewed regionalism in Latin America was accompanied by a strengthening of the "European connection," while Latin America and the United States gradually grew apart: Washington was "no longer an obsession or the sole external priority of Latin American governments."⁴⁰ This process of relative "distancing" began long before George W. Bush became

the president of the United States in January 2001. Except for global trade negotiations (the Doha Round) the "U.S. multilateralism" of the Clinton era has almost disappeared under the Bush administration. On the other hand, Europe is now densely linked with Latin America through a web of several bilateral and inter-regional agreements: the interinstitutional agreement between the European Commission and Mercosur's Common Market Group, the 1995 Mercosur-EU Framework Agreement, bilateral free trade accords between the EU and Chile and the EU and Mexico, and the ongoing EU-Mercosur free trade talks.

The Bush administration's indifference to Latin America's economic plight and staggering problems of poverty and inequality has brought the region closer to the European Union than at any time since the end of the Cold War. Their common opposition to the U.S. invasion of Iraq has reinforced the rapprochement between Latin America and the European Union.

Yet there are real obstacles to achieve an EU-Mercosur strategic partnership.

First, Latin America's unresolved debt crisis places a significant constraint on the ability of heavily indebted countries, such as Argentina or Brazil, to adopt a kind of benign neglect vis-à-vis the United States. Despite the changes brought about by the end of the Cold War, Latin America needs the United States more than the other way round.

Second, there are some obstacles on the road to an EU-Mercosur free trade agreement. The EU has a clear strategic interest in striking a comprehensive free trade agreement with Mercosur *before* an FTAA comes into existence.⁴¹ However, EU agricultural subsidies have become a major obstacle for a final deal. All four Mercosur partners have highly competitive agricultural export sectors. Agriculture and fishing account for 52 percent of Mercosur exports to the EU. The Mercosur heads of state have made clear that there will be no FTA with the EU without a solution to this problem. Relative gains considerations have so far prevailed over the potential absolute gains that could be reaped from a biregional FTA. Although there has been some progress in the areas of trade in services and investment, significant differences remain regarding key issues in the ongoing market access negotiations between the EU and Mercosur.

Both the European Union and Mercosur have strong incentives in exploiting their comparative advantages in each other's market. The European Union is Mercosur's largest trading partner and largest source of foreign direct investment (FDI) although U.S. FDI in the Mercosur countries has grown steadily over the past decade.⁴² In the early 1990s, Mercosur accounted for about a third of EU sales to Latin America; in 2000 it accounted for half of EU sales to the region, half of imports from the region, and two-thirds of FDI in Latin America.

Both groupings also have *defensive* incentives for striking a free trade deal. If Mercosur joins an FTAA involving the United States without a free trade agreement with the EU, the latter would suffer a reduction in its market share in Mercosur and probably a reduction in the absolute value of its exports to the Southern Cone. Mercosur, on the other hand, fears that the admission of Eastern European countries to the EU could lead to a reduction of Mercosur exports to Western Europe.⁴³

The collapse of the FTAA negotiations could slow down the Mercosur-EU talks, since a major incentive for the EU to make concessions to Mercosur is to preempt a successful conclusion of the FTAA talks in 2005.⁴⁴ If it really wants an FTA with Mercosur, the EU will be forced to match the U.S. proposals for market access in the FTAA talks, which seek to create incentives for the Latin American countries to join the FTAA without waiting for the (uncertain) conclusion of the Doha Round in order to gain access to the U.S. market.⁴⁵ However, the United States has made more attractive offers of market access to the Central American and Caribbean countries than to

Mercosur, opening a window of opportunity for the European Union to strike a deal with the Southern Cone countries if the issue of EU agricultural subsidies can be resolved.

There is more to the EU-Mercosur relationship than free trade. The Declaration of Rio has a list of 55 priorities, from upholding human rights to fighting the drugs trade. Political, security, diplomatic, and development cooperation between the two regional blocs has proved easier than economic cooperation (including free trade) but the latter is the new name of the international game in the era of globalization.

The prospects for a Mercosur-EU strategic partnership ultimately depend on the political will of both sides to iron out their differences in the free trade talks. Protracted negotiations could founder. Brazil has played the "European card" as a bargaining chip to extract concessions from the United States in the FTAA talks, but it has not shown a strong interest in a quick conclusion of an EU-Mercosur free trade accord, avoiding the considerable negative short term effects of a deal for domestic interest groups.⁴⁶ However, there are limits to Brazil's strategy of playing one external trading partner (the EU) against the other (the United States). Eventually, Brazil and Mercosur will have to choose between the European Union and the United States as their "privileged" extra-regional bloc partner.

A strategic partnership between Mercosur and the EU will also depend on U.S. actions that might draw the EU and Mercosur closer as a response to further unilateral military interventions by the United States and/or a dramatic weakening of the international legal order (e.g., several withdrawals from the Non-Proliferation Treaty). In that sense, the EU-Mercosur free trade negotiations tell only part of the story. If the deadline for completion of the FTAA is extended to 2007, modest progress in the EU-Mercosur FTA talks would still make a biregional strategic partnership possible as long as the EU radically changes its priorities and places a strategic partnership with Mercosur and Latin America on top of its agenda, filling the vacuum left by the Bush administration's neglect of Latin America after the September 11 terrorist attacks. To do so, the EU would have to overcome its long-standing fear to intrude in the traditional sphere of influence of its great Atlantic ally.

The stalled Doha talks⁴⁷ and the inability of the United States to impose a NAFTA-style FTAA on Latin America create a window of opportunity for establishing a strategic partnership between the European Union and Mercosur. On November 12, 2003, the EU-Mercosur trade ministerial meeting agreed on a road map (the "Brussels Program") for the final phase of free trade negotiations, which paves the way for a conclusion of an EU-Mercosur FTA by October 2004.⁴⁸ In December 2003, EU Trade Commissioner Pascal Lamy embarked on a "marathon" diplomatic effort to strengthen EU ties with Mercosur, visiting all four Southern Cone countries. If the EU makes concessions to Mercosur on agricultural subsidies without waiting for a settlement of this issue in the Doha Round, an EU-Mercosur trade pact would challenge U.S. hegemony in the Western Hemisphere, not only because the United States would be excluded from the benefits of such a trade pact, but also because the United States would be deeply troubled by the increasing bargaining power of its former junior partners.

CONCLUSION

The fate of European-Latin American relations is synergistically linked to the future of the international system. The distribution of power in world politics will affect EU-Mercosur and EU-Latin America relations, but whether the two regions strengthen their links or follow separate paths will also have an impact on the kind of world order that emerges in the twenty-first century. Scholars disagree in their characterization of that order. For some, the world will be unipolar for an extended period, as the United States consolidates its position of global military power and prevents the emergence of a global rival.⁴⁹ In this scenario, "the international system

would no longer resemble a layer cake; the United States would reign supreme in economic, military, and political affairs.⁵⁰ Others argue that global politics will inevitably enter a truly multipolar system in the 21st century.⁵¹ I will separately consider both scenarios and their implications for the prospects of a strategic partnership between the European Union and Latin America.

In a *unipolar* world, Mercosur's alignment with the United States is not a foregone conclusion. After the Iraq war, Mercosur and the European Union have a common interest in building a new multilateralism, to balance the United States' unilateralist (even imperial) tendencies. If the deadlock in the EU-Mercosur negotiations can be overcome, a biregional association between the two blocs would have a specific *political* weight; especially in the absence of an FTAA in 2005. A successful EU-Mercosur free trade area would demonstrate that the European Union *can* have a common foreign policy as a *global player*. From this perspective, the EU *needs* an alliance with Mercosur and the rest of Latin America to balance U.S. unilateralism in the Bush II era.

In a *multipolar* world, it would make even more sense for Mercosur to pursue extra-hemispheric partnerships. The European Union would be a prime candidate.

After a successful conclusion of the Doha Round in 2005 or 2007, a new multilateral consensus in the world trade system would diminish the significance of the FTAA for Mercosur and the rest of Latin America.

In this scenario, most states will belong to regional blocs which will form interregional associations to be able to compete more effectively in the global marketplace. The strength of an EU-Mercosur strategic partnership would lie in political cooperation based on the common values shared by the two blocs. If multipolarity is accompanied by continuing globalization a Mercosur association with the EU, strengthening Southern Cone links to the euro zone, would dampen Mercosur's vulnerability to external financial crises.

The end of *Pax Americana* would allow the South American countries to define an independent role in the emerging global economy by establishing a South American Free Trade Area (SAFTA). In this scenario, the South American countries would regain some control over their national economies, placing strict limits on the fundamentalist view of globalization. As they take their destiny into their own hands, a strategic partnership with the European Union would allow them to have a more balanced relationship with the United States, based on mutual respect and a U.S. recognition that the Latin American countries can play an autonomous role in world affairs in defense of their own national interests.

On the other hand, there is nothing inevitable about a strategic partnership between the European Union and Latin America. In a decentralized world of *many* trading blocs the Latin American subregional blocs may not be able to survive as autonomous blocs and end up annexed to the U.S. economy in a NAFTA-style FTAA, "while the EU might focus on its internal consolidation and latent instability on its external borders."⁵²

Some analysts believe that "Latin America will not get very far in its attempts to cultivate close and meaningful ties to extra-hemispheric powers."⁵³ Yet slowly but surely the South American countries are taking charge of their own future. For example, they are actively seeking to improve the regional infrastructure (road and rail links, river routes, telecommunications and energy projects) to facilitate the circulation of goods and people across the vast subcontinent. The absence of such networks was a major obstacle to achieve regional integration in the past.⁵⁴ A strengthened Mercosur could strike free trade deals with Japan and China while pursuing "South-South" alliances; a real possibility after the first South American summit in Brasilia (September 2000), which set the stage for a South American Free Trade Area (SAFTA). Mercosur already has an ambitious agenda of diversifying trade relations with Southern partners

and regions, including Mexico, the Southern African Development Community (SADC), and the Association of Southeast Asian Nations (ASEAN). Mexico, Peru, and Chile are members of Asia Pacific Economic Cooperation (APEC) and other regional institutions in the Pacific basin, such as the Pacific Economic Cooperation Council (PECC) or the Pacific Basin Economic Cooperation (PBECC). In a world of intensified multipolarity the "Pacific connection" would be an alternative to the "European connection" to prevent the United States from regaining hegemony in Latin America.

A biregional association between the European Union and Mercosur would create a split dynamics in EU policy toward Latin America: benign neglect toward the poor Latin American countries; strategic partnership with Mercosur. This policy would have two drawbacks for the EU's aspiration to become a "civilian superpower." First, the promise of a biregional association with Latin America *as a whole* (contained in the Declaration of Rio) would remain unfilled. Second, the United States could take advantage of EU neglect for the small Latin American economies; increasing U.S. aid to them (Central America has traditionally been a major destination of U.S. aid).

An EU-Mercosur strategic partnership would not be the same as an EU-Latin America strategic partnership. The latter may be undercut by the Bush administration's strategy of signing bilateral trade deals with individual Latin American countries to push its "deep integration" agenda in the FTAA negotiations.⁵⁵ This strategy, described by U.S. Trade Representative Robert Zoellick as "competitive trade liberalization" would fit into the above mentioned "split dynamics" in EU policy toward Latin America, although the United States has reduced official development assistance for Latin America (including Central America and the Caribbean) even more drastically than the European Union, opening up a window of opportunity for the EU to lay the basis for a biregional association with Latin America by increasing its share of official development assistance to the region.

As Whitehead notes, "comparing the USA and the EU as foreign policy actors, not only does the former have a military capability out of all proportion with that of the latter, it also has a capacity for prompt and authoritative decision making in the face of emergencies. Hawaii cannot veto a Washington initiative in the Pacific, but Greece can over-ride all other EU members to bloc a policy in the Balkans."⁵⁶ This fundamental difference between the United States and the European Union does not necessarily convert the United States into a more reliable partner for Mercosur and the rest of Latin America. If anything, it makes the United States more dangerous, as a potential "rogue nation."

Latin America has traditionally been an area of secondary concern for the United States and the European Union; the Middle East and Asia have been more important. The difference is that the European Union does not have the arrogant attitude toward the region that predominates in U.S. policy toward Latin America, and makes it so difficult to establish an even-handed mature partnership in the Western Hemisphere. On the other hand, the European Union and Latin America have 500 years of common history and cultural and language linkages (Spanish and Portuguese) plus a shared commitment to multilateralism, the United Nations, and respect for international law. Whether the two regions can establish a new type of alliance based on those common values and a number of great "horizontal themes" (from environmental protection and sustainable development to disarmament and arms control) will affect not only the emerging architecture of the international system but also the lives of millions of people in Europe and Latin America.

¹NOTES

- ¹ See Lars Schoultz, *Beneath the United States: a History of U.S. Policy toward Latin America* (Cambridge, Mass.: Harvard University Press, 1998), pp. 125-51.
- ² See Abraham Lowenthal, "Ending the Hegemonic Presumption: The United States and Latin America," *Foreign Affairs*, Autumn 1976, Vol. 55, pp. 199-213.
- ³ Heraldo Munoz, "Good-bye U.S.A.?" in Joseph S. Tulchin and Ralph H. Espach, editors, *Latin America in the New International System* (Boulder, CO: Lynne Rienner, 2001), p. 76.
- ⁴ Laurence Whitehead, "The European Union and the Americas," in Victor Bulmer-Thomas and James Dunkerley, editors, *The United States and Latin America: The New Agenda* (London: Institute of Latin American Studies, 1999), p. 54.
- ⁵ Jorge Castaneda, "Latin America and the End of the Cold War," *World Policy Journal*, Summer 1990, Vol. 7, No. 3, p. 474.
- ⁶ Quoted in Lars Schoultz, *National Security and United States Policy toward Latin America* (Princeton, N.J.: Princeton University Press, 1987), p. 34.
- ⁷ Robert Pastor, *Whirlpool: U.S. Foreign Policy toward Latin America and the Caribbean* (Princeton, New Jersey: Princeton University Press, 1992), p. 36.
- ⁸ **Ibid., p. 18.**
- ⁹ Robert Pastor, *Exiting the Whirlpool: U.S. Foreign Policy toward Latin America and the Caribbean* (Boulder, Colorado: Westview Press, 2001), p. ix.
- ¹⁰ John Odell, "Growing Trade and Growing Conflict between Latin America and the United States," in Kenneth Middlebrook and Carlos Rico, editors, *The United States and Latin America in the 1980s: Contending Perspectives on a Decade of Crisis* (Pittsburgh: University of Pittsburgh Press, 1986), p. 261.
- ¹¹ Munoz, "Good-bye USA?," p. 75.
- ¹² Whitehead, "The European Union and the Americas," p. 54.
- ¹³ Jeffrey Schott, *Prospects for Free Trade in the Americas* (Washington, DC: Institute of International Economics, 2001), p. 2.
- ¹⁴ For example, the Bahamas, Dominica, and St. Vincent rely on import duties for more than 40 percent of their current tax revenues.
- ¹⁵ "Approximately 27% of Mercosur's trade is with the EU, compared with 17% with the United States. Similarly, Mercosur is the recipient of approximately 70% of European Union's investments in Latin America." Armando Di Filippo, "Mercosur: Evaluation and Perspectives," *Capitulos del SELA*, at www.lanic.utexas.edu/project/sela/eng_capitulos/rcapin493.htm.
- ¹⁶ Marcos Jank, professor of economics at the University of Sao Paulo, quoted in Edmund Andrews, "As US Seeks a Trade Accord, Brazilians Recall Discord," *New York Times*, 30 October 2002, p. A3.
- ¹⁷ Mercosur and the United States have a common interest in downsizing or eliminating the European Union's Common Agricultural Policy (CAP).
- ¹⁸ William Greider & Kenneth Rapoza, "Lula Raises the Stakes," *The Nation*, December 1, 2003, Vol. 277, No. 18, p. 12, quoting "one well-placed Washington trade lawyer."
- ¹⁹ A disproportionate amount of European Official Development Assistance was provided by Spain, a country with special ties with Latin America.
- ²⁰ Riordan Roett, "Does the United States Have a Future in Latin America?" in Wolf Grabendorff and Riordan Roett, editors, *Latin America, Western Europe, and the U.S.: Reevaluating the Atlantic Triangle* (New York: Praeger, 1985), p. 234.
- ²¹ In contrast, by 1995, "Latin America's trade with the United States accounted for 41 percent of exports and almost 45 percent of its imports." Riordan Roett, "The Trilateral Relationship: Latin America, Europe. And the United States," in Susan Kaufman Purcell and Françoise Simon, editors, *Europe and Latin America in the World Economy* (Boulder, CO: Lynne Rienner, 1995), p. 186. These figures exaggerate the importance of Latin America as a trading partner of the United States, because most U.S. trade with Latin America is with Mexico. "Since 1990, i.e., several years before NAFTA, the US has sold more to Mexico than to all the rest of South and Central America combined." Bernard Gordon, *America's Trade Follies: Turning Economic Leadership into Strategic Weakness* (London: Routledge, 2001), p. 77.
- ²² Wolf Grabendorff, "The United States and Western Europe: Competition or Cooperation in Latin America?" in Grabendorff and Roett, editors, *Latin America, Western Europe, and the U.S.*, p. 263.
- ²³ Freres, "The European Union as a Global 'Civilian Power'," p. 79.
- ²⁴ "Between 1990 and 1995, European exports to Latin America soared by 95 percent, a rate that was much higher than the growth of total EU exports (28 percent)." Institute for European-Latin American Relations (IRELA), "A Challenge to the Atlantic Triangle? Context and Agenda of an EU-Latin American Summit," *IRELA Briefing*, May 12, 1997, p. 8. EU exports to Mercosur increased from US\$6.9 billion in 1990 to US\$27.3 billion in 1997, accounting for slightly more than half of all EU exports to Latin America. EU imports from Mercosur, though, rose at a much slower pace in the

same period, from US\$14.8 billion in 1990 to US\$19.3 billion in 1997, also accounting for about half of all EU imports from Latin America. See Victor Bulmer-Thomas, "The European Union and Mercosur: Prospects for a Free Trade Agreement," *Journal of Interamerican Studies and World Affairs*, Vol. 42, No. 1, Spring 2000, Table 1, p. 7.

²⁵ Andrew Crawley, "Toward a Biregional Agenda for the Twenty-first Century," *Journal of Interamerican Studies and World Affairs*, Summer 2000, Vol. 42, No. 2, p. 12.

²⁶ Munoz, "Good-bye U.S.A.?" p. 75.

²⁷ See e.g., Peter H. Smith, "Strategic Options for Latin America," in Joseph S. Tulchin and Ralph H. Espach, editors, *Latin America in the New International System* (Boulder, CO: Lynne Rienner, 2001), pp. 58-62.

²⁸ See Arthur P. Whitaker, "The Americas in the Atlantic Triangle," in *Ensayos sobre la Historia del Nuevo Mundo*, Mexico, 1951, pp. 69-96. Reprinted in Lewis Hanke, editor, *Do the Americas Have a Common History?* (New York: Knopf, 1964), pp. 141-164. This scenario was revisited in 1981-82 at three academic conferences held in Brazil, the United States, and West Germany under the auspices of the Center of Brazilian Studies, Johns Hopkins School of Advanced International Studies. See Wolf Grabendorff and Riordan Roett, editors, *Latin America, Western Europe, and the U.S.: Reevaluating the Atlantic Triangle* (New York: Praeger, 1985).

²⁹ See Wolf Grabendorff, "Reevaluating the Atlantic Triangle: An Overview," in Grabendorff and Roett, editors, *Latin America, Western Europe and the U.S.*, p. xiv.

³⁰ Joseph W. Reidy, "Latin America and the Atlantic Triangle," *Orbis: A Quarterly Journal of World Affairs*, Spring 1964, Vol. 8, No. 1, p. 52.

³¹ Ibid.

³² Grabendorff, "Reevaluating the Atlantic Triangle," p. xiv.

³³ Reidy, "Latin America and the Atlantic Triangle," p. 52.

³⁴ Freres, "The European Union as a Global 'Civilian Power'," p. 64.

³⁵ Grabendorff, "The United States and Western Europe," pp. 265-269.

³⁶ Ibid., p. 266.

³⁷ "Unlike trade, US FDI in the Mercosur has grown steadily over the past decade. In 1990, US firms held \$17 billion in direct investments in Argentina and Brazil. By 2001, US holdings had grown to \$50.5 billion on a historical cost basis." Jeffrey Schott, "The United States, Mercosur, and the Free Trade Area of the Americas," Paper prepared for a conference on "New Challenges for Regional Integration," Buenos Aires, Argentina, October 3, 2002, p. 8. On "the new imperial order" in Latin America, see James Petras and Henry Veltmeyer, *Globalization Unmasked: Imperialism in the 21st Century* (London: Fernwood Publishing/Zed Books, 2001), pp. 78-83.

³⁸ Munoz, "Good-bye U.S.A.?" p. 89.

³⁹ Alberto van Klaveren, "Europe and Latin America in the 1990s," in Abraham F. Lowenthal and Gregory F. Treverton, editors, *Latin America in a New World* (Boulder, Colorado: Westview Press, 1994), p. 85.

⁴⁰ See Munoz, "Good-bye U.S.A.?" pp. 75 and 89.

⁴¹ The "Brussels Program," agreed upon at the EU-Mercosur trade ministerial on November 12, 2003, could lead to a successful conclusion of a biregional FTA by October 2004, if the remaining differences over agriculture and other issues can be ironed out.

⁴² Paolo Giordano, "The External Dimension of MERCOSUR: Prospects for North-South Integration with the European Union," Occasional Paper No. 19, INTAL, Buenos Aires, January 2003, p. 21; Schott, "The United States, Mercosur, and the Free Trade Area of the Americas," p. 8.

⁴³ Bulmer-Thomas, "The European Union and Mercosur," p. 9.

⁴⁴ After the compromise for a "flexible" 34-country agreement reached at the Miami Trade Ministerial conference in November 2003, a total collapse of the FTAA negotiations is unlikely. However, the final product will be probably an "FTAA light" or a collection of bilateral and plurilateral agreements that will not threaten EU access to Latin American markets as much as a wide-ranging FTAA.

⁴⁵ For example, the United States is offering in the FTAA the elimination of the tariffs on textile manufactures and garments no later than 2010 for those countries that would be willing to offer reciprocity.

⁴⁶ See Andy Klom, "Mercosur and Brazil: a European Perspective," *International Affairs*, Vol. 79, No. 2, March 2003, p. 356.

⁴⁷ As of this writing (December 2003) the negotiations on agriculture are so badly stalled that some analysts believe that the deadline for completing the Doha Round may be extended until 2007. See "The Doha Squabble," *The Economist*, 29 March 2003, pp. 63-64. In this scenario, momentum could shift to other trade negotiations, including bilateral deals and the FTAA and the EU-Mercosur talks. As the deadline for completing the FTAA approaches, the "auction dynamic" between the EU and the United States for capturing the Mercosur market will become critical. In the end, the Mercosur partners will give priority to whoever makes better market access offers. Since President Bush's TPA authority also expires in 2007 the credibility of U.S. offers will be determined by Mr. Bush's (or his successor's) ability to obtain renewal of TPA from the US Congress.

⁴⁸ See "EU-Mercosur: Trade Ministerial Agrees Road Map for final Phase of Free Trade Negotiations," at http://europa.eu.int/comm/ex...al_relations/mercotur/intro/ip03_1544.htm.

⁴⁹ See William C. Wohlforth, "The Stability of a Unipolar World," *International Security*, Summer 1999, Vol.24, No. 1, pp. 5-41.

⁵⁰ Smith, "Strategic Options for Latin America," p. 65.

⁵¹ See Samuel P. Huntington, "The Lonely Superpower," *Foreign Affairs*, March/April 1999, Vol. 78, No. 2, p. 37.

⁵² Crawley, "Toward a Biregional Agenda for the Twenty-first Century," p. 28.

⁵³ Smith, "Strategic Options for Latin America," p. 62.

⁵⁴ Mercosur's Initiative for the Integration of Regional Infrastructure in South America (IIRSA) contains proposals and suggestions for expansion and modernization, over a 10-year period, of several communication networks, "with a view to making the region a more competitive area and developing the South American space." INTAL, *Mercosur Report No. 8: 2001-2002* (Buenos Aires: Inter-American Development Bank, 2002), p. 139.

⁵⁵ The United States is negotiating an FTA with the Central American countries, and has already signed an FTA with Chile.

⁵⁶ Whitehead, "The European Union and the Americas," p. 65.